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**Testimony before the Minnesota Subcommittee on Employee Relations**

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Good afternoon.

Mr. Chairman, members of the subcommittee, I'm Laura King, vice chancellor for finance at the Minnesota State Colleges and Universities. In addition to Finance, my duties include responsibility for Facilities and Labor Relations. I have served in my current role for over 15 years. Prior to my service at MnSCU, I served as State Finance Commissioner.

Recent media coverage has raised questions regarding the appropriateness of retirement payouts. When presented in isolation, it's understandable why some people might be concerned. However, when viewed most appropriately in the context of overall compensation, it is clear that compensation for our leaders and faculty is at or below average both nationally and well below the average when compared with other Minnesota higher education institutions. Minnesota citizens can be confident that we are committed to attracting and retaining the talented educators and educational institution leaders necessary for Minnesota state colleges and universities to remain competitive globally. We appreciate the opportunity to bring clarity to these issues and answer any questions you may have.

For your background, let me provide some facts about MnSCU. We are the fifth largest education system in the U.S. that includes both two-year colleges and four-year universities. This year, more approximately 420,000 Minnesotans from all walks of life will attend MnSCU colleges and universities for degrees, diplomas and certificates, graduate programs, training and retraining. MnSCU educates:

- 63 percent of the state's undergraduates;
- 49 percent of the state's new teaching graduates;
- More than 80 percent of new nursing, construction trades, law enforcement and mechanics graduates; and
- 9,000 firefighters and emergency first responders each year.

These are not only students right out of high school, they are also adult learners, workers and professionals retooling to meet the current and future needs of Minnesota's businesses. More than 80 percent of our graduates stay in Minnesota to work or continue their education. In addition, MnSCU

partners with 6,000 employers throughout the state to provide customized training to 122,000 employees, helping to ensure that these companies remain competitive.

MnSCU delivers the most affordable and cost effective higher education option in Minnesota. Average full time tuition and fees at Minnesota's two-year state colleges is 69 percent lower than the alternative offered by the state's private trade schools. The average cost for attending one of Minnesota's State Universities is 44 percent lower than the University of Minnesota and 78 percent lower than the state's private four-year colleges and universities.

We have also taken concrete steps to improve our effectiveness and productivity. For example, in several cases it makes sense to have one president provide leadership for more than one of our institutions. This has allowed us to reduce our number of presidents from 45 to 31. We are also very efficient in terms of our administrative spending. Compared to similar institutions throughout the country, MnSCU administrative spending per student (Full Year Equivalent) ranks 37<sup>th</sup> out of 50. We are lowering operating costs by leveraging the collective purchasing power of MnSCU campuses and standardizing best practices and processes throughout the system to increase efficiency and eliminate duplication. And since 2009, we have reduced the system office budget by 24 percent. In short, MnSCU is educating and training the Minnesota workforce for the jobs needed by our businesses, which are critical for the prosperity of our state, and we are by far the most cost effective, affordable option for Minnesotans.

We are only able to deliver this critical service due to creative and smart education leaders, faculty and staff that are dedicated to improving higher education. If Minnesota is to succeed, we must be able to attract top higher-education talent in an increasingly competitive environment.

We compete with colleges and universities in every state for this talent. Our presidents, faculty and staff are the front line leaders in ensuring that we deliver on our three strategic commitments:

- Ensuring access to an extraordinary education;
- Being the partner of choice to meet Minnesota's workforce and community needs; and
- Delivering the highest value, most affordable higher education option.

Leading academic institutions requires a unique set of talents and experience. For example, our colleges and universities presidents lead complex, highly regulated organizations. In addition to providing innovative academic leadership and ensuring the delivery of a high-quality education, our presidents must:

- Recruit and help students from all walks of life succeed;
- Raise money for scholarships and investments in new programs;

- Serve as the face of higher education and as leaders in anywhere between two and eight Minnesota communities; and
- Ensure that their institution is meeting the service and training needed by our citizens and the business community.

A competitive total compensation package is perhaps the single most important tool we have:

- For attracting top education talent to Minnesota;
- For ensuring that we are competitive in a national market; and
- For motivating and retaining our faculty, staff and administrative leaders.

Elements of total compensation packages include salary, retirement contributions, severance, administrative leave policies, vacation and sick pay, and other components.

The earned benefit payouts that are the focus of recent attention are an important but relatively small element in the total compensation we must offer to be competitive. While much has been made of these payments, over the past six years the dollars spent on separation pay amount to about one percent of payroll; unused sick leave and vacation amount to less than one-half of one percent. The terms of the payments made for these earned benefits are contained in the specific labor agreement or contract covering an employee. In all cases, the amount of the payment is capped at specific limits and is deferred until the individual leaves state employment.

According to human resources information from the College and University Personnel Association, contracts and contracts containing terms and conditions similar to these payments are typical nationally. In fact, the vacation and sick leave severance terms contained in the MnSCU Administrators Plan are similar in design and function to the agreements administered by the Department of Management and Budget and the provisions contained in the agreements covering the Executive and Legislative branches. However one might view these specific provisions, the most critical outcome for the success of higher education in Minnesota is to ensure that we continue to attract and retain top talent by maintaining and improving our ability to offer competitive total compensation packages for higher-education administrative leaders, faculty and staff.

Being competitive for top education talent matters. Minnesota companies seek the best talent to ensure the success of their business objectives. Similarly, we need top faculty, staff and leadership to ensure that our colleges and universities continue to produce graduates with the high-quality training and skills Minnesota's workforce requires, and continue to deliver the most cost effective, affordable higher education option.

MnSCU averages four national leadership searches per year for presidents to provide high-caliber leadership for our colleges and universities. As I mentioned, in filling these positions we are competing nationally to attract top education leaders. At the moment, we are conducting a national search for a president for Winona State University. Winona State is critical to Minnesota's success and the economic vitality of the southeast Minnesota region. We must have top educational talent to ensure its continued success. We know that the current salary for that position is well below the national median for similar universities. Uncertainty with regard to compensation will undermine our ability to recruit the best person for the role. Offering a competitive total compensation package will be a determining factor in the search's success.

MnSCU is not providing compensation that is out of line with market. Base salaries for MnSCU college and university presidents are comparable to or below the average when compared with similar institutions across the country. Five of seven of our state university presidents' salaries are at or below the median when compared with the 40 public universities we examined. Of the 30 two-year public colleges we examined, salaries for the presidents at the other institutions were higher than all 24 of our state college presidents' salaries in 60 to 80 percent of the cases. Looking at an even larger sample size of similar institutions throughout the country, our college presidents are paid about \$5,000 less than the national average and our university presidents are at or slightly below the average. Finally, the average total compensation for university presidents in the MnSCU system is 30 percent below the average paid to presidents at Minnesota's private colleges and universities. Clearly, we are not out of line with the market in our compensation, in fact we are middle of the pack at best. The situation is similar for MnSCU faculty salaries.

This is why we need the flexibility to offer additional compensation components – so that we can augment our relatively lower salaries and remain competitive in the market for higher education talent. And while the specific components vary across the country – we offer certain earned benefit payouts, others offer more generous retirement contributions and administrative leave payments that bring their compensation packages well above what we are able to offer – it is clear that total compensation is a competitive issue for Minnesota and critical to our success. Total compensation is the issue we must focus on to get the right answer to the question before this committee and the issue we must focus on to be good stewards.

We know we are losing talent to states that offer more competitive compensation packages. In fact, publicly available data indicates that presidents who left our state colleges and universities system did so for positions in California, Virginia, Washington and Florida with substantially higher salaries. In

addition, a study by Rutgers University shows that salaries for individuals with bachelor degrees or above are substantially higher in the private sector, with whom we also compete for top talent.

When seeking to continuously improve our ability to attract higher education leaders that can deliver improved education outcomes and increase student access and success, we have established guiding principles:

**First**, we must successfully recruit top educational talent in a very competitive national market.

**Second**, we must offer competitive total compensation packages.

And **third**, we will honor existing contracts.

We are eager to participate in an examination of any improvements to our total compensation strategy that meets these three principles and enables Minnesota to continue to attract and retain the top talent necessary to serve current and future students and prepare our workforce with the job skills required by our business community.

To summarize:

MnSCU is educating and training the workforce for the jobs needed by Minnesota businesses and our success is critical to the state's prosperity;

We believe severance and related retirement payouts are most appropriately viewed as only one element of an overall compensation package and typical nationally;

The salaries for our educational leaders and faculty are at or below, and in some cases well below, the national average and the average for other Minnesota higher education institutions;

Our colleges and universities are the most cost effective, affordable higher education option for Minnesotans; and

We must continue to compete nationally for the top education talent necessary to lead our academic institutions and as such must maintain and improve our ability to offer competitive total compensation packages.

Thank you Mr. Chairman. We'd be happy to respond to any questions you may have.